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Adam Smith and William James on the psychological basis of progress

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Abstract

This paper identifies extensive connections between Adam Smith's and William James's accounts of the psychological basis of intellectual, material and moral progress. These connections are brought into focus through discussion of their shared circumspection towards claims to objective truth, which highlights Smith's distance from mainstream interpretations of his contributions to economics. The paper additionally argues that insight into the sustained emphases that Smith and James place upon the role of psychological satisfaction as a motivating factor in societal and personal progress can aid current efforts to draw upon their work and to reconcile the disciplines that they are widely credited with founding.

***Key words:** Adam Smith; William James; psychology; neoclassical economics; pragmatism*

1. Introduction

The ongoing relationship between economics and psychology is an issue of longstanding interest (e.g., Bruni and Sugden 2007; Clark 1918; Davis 2011; Dow 2011; Earl 2005; Hands 2010; Kahneman 2003; Lewin 1996; Lunt 1996; Moscati 2013; Sent 2004; Simon 1959). While interest in the contributions of the widely acknowledged founders of these disciplines - Adam Smith and William James - also continues to flourish across the academy, comparisons between their thought are notably scarce.¹ This paper demonstrates the central yet often overlooked emphases that Smith and James place upon the psychological basis of intellectual, material and moral progress. This is shown through extensive quotations from their works,

which emphasise the psychological foundations of some of their more well-known concepts including Smith's invisible hand and impartial spectator metaphors and James's pragmatist philosophy. This approach demonstrates Smith's distance from neoclassical economics' axiomatic conceptualisation of individuals as rational utility maximising economic agents as well as the sustained emphasis that he and James place upon the role of imaginative appeals to orderly systems of natural and social phenomena in individual and societal development.² Smith's and James's accounts of the influence of such appeals upon the generation of philosophical systems are discussed in the next section of the paper, where I additionally evaluate James's pragmatist theory of truth. In the following section I discuss the significance that both figures place upon the role of individuals' imaginative processes in material and moral progress. I consider this in relation to Smith's invisible hand metaphor and his discussion of the origins and benefits of the division of labour, which emphasises further dissimilarities to mainstream interpretations of his work. This divergence is also evident in my evaluation in the penultimate section of the paper of Smith's and James's mediation between subjectivism and objectivism, which highlights their moves beyond both neoclassical economics' assumptions regarding individuals' behaviour and Thorstein Veblen's institutionalist critique of these.

While it is known that James owned a copy of the second edition of *The Theory of Moral Sentiments* (*TMS*) and had read Smith prior to the publication of his own *The Principles of Psychology* (*PP*) in 1890 (Skrupskelis and Berkeley, 1993, p. 93; *ibid*, p.94, footnote 6), it is not the aim of this paper to investigate if or to what extent he is influenced by Smith. The extensive connections that I identify here between Smith's and James's contributions instead emphasise the central importance that they each place upon psychological satisfaction as a

motivating factor in the development of intellectual, material and moral progress and upon the open-ended nature of the processes through which such progress occurs. In so doing the paper clarifies substantial yet hitherto unnoticed points of connection between Smith's and James's seminal contributions to economics and psychology that can be fruitfully considered by scholars who seek to draw upon their contributions and integrate insights from these disciplines in order to transcend reductive accounts of individuals' economic behaviour.

2. The psychological basis of intellectual progress

The significance of psychological processes is a recurring motif in Smith's work, as is evinced in his account of the origins and development of philosophical systems in *The History of Astronomy (HA)* (Smith, 1980, *HA*, IV.26; 55-67; Kubo, 2014). Notably, this is where the invisible hand metaphor first appears in Smith's writings in his explanation that, prior to these systems being established, "the irregular events of nature" were ascribed to the favour or displeasure of imagined deities such as "the invisible hand of Jupiter" (Smith, 1980, *HA*, III.2). Smith further suggests here that whilst more sophisticated philosophical explanations of such phenomena emerge "when law has established order and security, and subsistence ceases to be precarious" (ibid, III.3) they are prompted by individuals' needs to avoid psychological discomfort caused by "events which follow one another in an uncommon order":

Nature...seems to abound with events which appear solitary and incoherent with all that go before them, which therefore disturb the easy movement of the imagination... Philosophy, by representing the invisible chains which bind together all these disjointed objects, endeavours to introduce order into this chaos of jarring and discordant appearances, to allay this tumult of the imagination, and to restore it...to that tone of

tranquillity and composure, which is both agreeable in itself, and most suitable to its nature (ibid, II.10; II.12).

Smith emphasises the importance of a similar psychological process in the adoption of new philosophical systems in *Lectures on Rhetoric and Belles Lettres*, where he suggests that the Newtonian method of “lay[ing] down certain principles known or proved in the beginning, from whence we account for severall Phenomena, connected by the same Chain” provides “far superior” instances of psychological pleasure than those that are derived from “the unconnected method where everything is accounted for by itself”. Smith additionally explains that the former method was first employed by Descartes, which led to his philosophy being “universally received by all the Learned in Europe” for around a century despite it having “no...sort of resemblance to the truth”.³ It is therefore ironic that attachment to the psychological pleasure derived from the Cartesian system’s capacity to “sooth the imagination” generated resistance to Newton’s universal law of gravitation, which Smith describes as “the greatest and most admirable improvement that was ever made in philosophy” (Smith, 1980, *HA*, II.12; IV.67; IV.76). Yet there is a further irony: Smith additionally notes that the appeal of Newton’s system also depends in part upon its ability to appear less “an attempt to connect in the imagination the phaenomena of the Heavens, but as the greatest discovery that was ever made by man”. In so doing, Smith reminds us that philosophical systems are not synonymous with that which they are attempting to explain, but are instead “mere inventions of the imagination” which “connect together in the fancy those different movements and effects which are in reality already performed” (ibid, IV.76; IV.19; see Kim, 2012, p. 813).

While the extent of Newton's influence upon Smith's philosophy of science is much debated (see Berry 2006), his psychological explanation of the origins and development of systems of science and philosophy - terms which he employs interchangeably in *HA* - reflects Smith's circumspection towards claims to objective knowledge based upon existing explanations in his more well-known works (e.g., Smith, 1976 [1790], VI.ii.2.17-8; Smith, 1976 [1776], II.iii.36). This can be compared directly to James's observations regarding the role of such explanations in resolving psychological discomfort and in potentially obscuring both newer systems of thought and the provisional nature of knowledge generated therein. As he states in *The Hidden Self* (James, 1890, p.361): "The ideal of every science is that of a closed and completed system of truth...and, so far from free is most men's fancy, that when a consistent and organised scheme of this sort has once been comprehended and assimilated, a different scheme is unimaginable". James again stresses the provisional nature of such systems in *Pragmatism*, where he observes: "Ptolemaic astronomy, euclidean space, aristotelian logic, scholastic metaphysics, were expedient for centuries, but human experience has boiled over those limits, and we now call all of these things only relatively true" (James, 1987 [1907], p. 584). Echoing Smith's account of the origins of philosophical systems in *HA*, James relates this progress to the psychological processes through which claims to truth are generated:

The individual has a stock of old opinions already, but he meets a new experience that puts them to strain... The result is an inward trouble to which his mind till then had been a stranger, and from which he seeks to escape by modifying his previous mass of opinions...until at last some new idea comes up which he can graft upon the ancient stock with a minimum of disturbance of the latter... This new idea is then adopted as the true one... To a certain degree, therefore, everything here is plastic (ibid, pp. 512-3).

Harvey Cormier (2000, p. xii) notes that James's alleged preoccupation with "trivial and impossibly subjectivistic explanations of meaning and truth" is criticised by Bertrand Russell and Antonio Gramsci for ignoring, and thus helping to justify, political oppression. Despite praising James as deserving "a high place among philosophers", Russell "find[s] great intellectual difficulties" in the "subjectivistic madness" of James's pragmatic view that ideas "become true in so far as they help us to get into satisfactory relations with other parts of our experience" (Russell, 1946, pp. 812-8; see Sprigge 1997). A further critique of James's alleged variant of pragmatism is provided by Gramsci (1971, pp. 372-3):

Take the pragmatist principle as expounded by James: "The best way of discussing the various points of any theory is to start by establishing what practical difference would result if one or other of the alternatives were the true one". One can see from this the immediacy of the philosophical politicism of the pragmatists... [who], at most, have contributed to... the justification of conservative and reactionary movements.

As Quintin Hoare and Geoffrey Nowell Smith explain, Gramsci's interpretation of James's pragmatism appears instead to be a précis of his own summary of Charles Sanders Peirce's version of the method in *The Varieties of Religious Experience (VRE)*.⁴ While James dedicated his earlier *The Will to Believe (WB)* to Peirce, their versions of pragmatism should not be conflated.⁵ Jack Barbalet (2004, p. 338) notes that Peirce first introduced the term in *The Fixation of Belief* (1877) in order to represent "a logical method for going beyond formalism and abstraction". While James refers to this in *Philosophical Conceptions and Practical Results* (1992 [1898]) it was not until the publication of his *The Pragmatic Method* (1904) that

wider interest in pragmatism began to be established. Here, James seeks to define the principle “more broadly than Mr. Peirce expresses it. The ultimate test for us of what a truth means is indeed the conduct it dictates or inspires. But it inspires that conduct because it first foretells some particular turn to our experience” (James, 1904, p. 674; see also James, 1987 [1907], pp.506-7). As Barbalet (2004, p. 338) further explains, James’s articulation of pragmatism as a psychological rather than purely logical method prompted Peirce to rename his version “pragmaticism”, which Robert Lane (2007, p. 252) argues indicates a modal shift in Peirce’s later thought towards a realist explanation of truth that he claims is obtainable via empirical investigation.⁶

According to Israel Scheffler, Peirce “deplored James’s notion of the ‘mutability of truth’ as a ‘seed of death’ that has been allowed to infect pragmatism”.⁷ However, as Hilary Putnam (1997, pp. 170-181) notes, Peirce’s constitutive account of absolute truth is shared by James, which he describes in *The Meaning of Truth (MT)* as an “ideal set of formulations towards which all opinions may in the long run of experience be expected to converge”. While he does not share Peirce’s (e.g., 1958) conviction that this “ultimate consensus” will ever be reached, James acknowledges that it is an expedient concept: “To admit, as we pragmatists do, that we are liable to correction... *involves* the use on our part of an ideal standard” (James, 1987 [1911], pp. 958-9 [emphasis in original]). Indeed, he additionally claims in *WB* that: “when as empiricists we give up the doctrine of objective certitude, we do not thereby give up the quest or hope of truth itself” (James, 1992 [1896], p. 468). Therefore, while James rejects that truth is “an inert static relation” and instead “*becomes true, is made true* by events”, his account does not collapse into absolute subjectivism as, in his version of pragmatism, true ideas must be verifiable (James, 1987 [1907], pp. 573-4 [emphasis in original]). James thus shares with

Smith a cautious outlook towards claims to objective truth whilst neglecting to postulate that it cannot exist (ibid, pp. 583-4; Smith 1976 [1790], VII.ii.4.14). Instead, as James states in *MT*: “there can be no truth if there is nothing to be true about...This is why as a pragmatist I have so carefully postulated ‘reality’ *ab initio*, and why, throughout my whole discussion, I remain an epistemological realist” (James, 1987 [1911], p. 925).

3. The psychological basis of material and moral progress

While James mediates between absolute subjectivism and absolute objectivism, his earliest definition of philosophy as “the possession of mental perspective” in *The Teaching of Philosophy in our Colleges* (1978 [1876]) is reflected in his articulations of psychology, pragmatism, pluralism and radical empiricism.⁸ In *PP* James argues that the development of such perspective in moral terms involves reflection by individuals upon the likely reception afforded to them by their imagined “ideal spectator” and their peers. While this is portrayed as an intersubjective process, James further claims that it is the introspective aspects of “*spiritual self-seeking*” which assists personal moral development most directly and enables individuals to be “inwardly strengthened” in the event of societal disapproval (James, 1950a [1890], pp. 308-10; pp. 315-6 [emphasis in original]). Clear parallels may be drawn between this aspect of James’s thought and Smith’s account of moral self-determination in *TMS*, where he employs the impartial spectator metaphor to illustrate the psychological processes through which individuals engage in imaginative reflection upon the propriety of their own and others’ motivations via “the tribunal of their own consciences...the man within the breast, the great judge and arbiter of their conduct” (Smith, 1976 [1790], I.i.4.8; III.ii.32).

Smith (ibid, IV.i.6-11) additionally claims that such psychological processes are centrally important to “the order of society” as they inform individuals’ efforts to emulate the “happiness

and tranquillity” that they imagine the rich to enjoy from having the means to satisfy their “frivolous desires”. He also explains that, while only “contemptible and trifling” satisfaction can be derived from the imagined “pleasures of wealth and greatness”, these are recommended to us via our natural psychological propensity to conflate them “in the imagination with the order, the regular and harmonious movement of the system, the machine or oeconomy by means of which it is produced”. Smith thus contends that this psychological deception is “often the secret motive of the most important pursuits of both private and public life”, as it “rouses and keeps in continual motion the industry of mankind” (Smith, 1976 [1790], IV.i.6-10). It is therefore significant that he refers to the invisible hand metaphor for the second time in his *oeuvre* here in a discussion of the inadvertent effects of the consumption of luxury goods by landowners for “the gratification of their own vain and insatiable desires”. According to Smith, these individuals additionally imagine that they can consume their entire harvest but in reality “consume little more than the poor”. Consequently, they:

...divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species (ibid, IV.i.10).

Smith makes a similar claim in *An Inquiry into the Nature and Causes of the Wealth of Nations* (WN):

The desire of food is limited in every man by the narrow capacity of the human stomach; but the desire of conveniencies and ornaments...seems to have no limit... Those,

therefore, who have the command of more food than they themselves can consume, are always willing to exchange the surplus... for gratifications of this other kind... The poor, in order to obtain food, exert themselves to gratify those fancies of the rich... Hence arises a demand for every sort of material which human invention can employ (Smith 1976 [1776], I.xi.c.7).

Smith invokes the unintended societal benefits of a similar psychological tendency via the invisible hand metaphor in Book IV of *WN*, where he famously argues that merchants, investors and tradesmen unintentionally “promote the publick interest” in their search for profit (Smith, 1976 [1776], IV.ii.9). This incarnation of the invisible hand often appears in influential economists’ portrayals of Smith as a founding advocate of market fundamentalism, the fervent rejection of state interference in the economy that is associated with neoliberal economic ideology (e.g., Taylor and Mankiw, 2014; see Ahmad, 1990; Pack 1991; Soros 1998; Stiglitz 2009; Winch 1997; Wrenn 2015). This is reflected in Paul Samuelson’s (1998 [1948], p. 36) claim that the invisible hand denotes Smith’s alleged doctrinaire advocacy of free markets; a view that is echoed in Thomas Piketty’s (2014, p. 9) assertion that the metaphor indicates that Smith “saw the market as a self-regulated system...capable of achieving equilibrium of its own without major deviations”. Yet Smith is not an advocate of market fundamentalism, and does not present the economy as a self-regulating system (e.g., Smith 1976 [1776], I.ix.2; I.ix.10; I.xi.d). Instead, such influential interpretations of the invisible hand seemingly neglect the psychological aspects of the discussion in which the metaphor appears in *WN*, wherein Smith explains that merchants tend to prefer to invest domestically due to the “uneasiness...which he feels at being separated so far from his capital” (ibid, IV.ii.6). According to Smith, it is this desire for psychological comfort allied to economic self-interest that inadvertently contributes to societal prosperity:

By preferring the support of domestick to that of foreign industry, he intends to his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends to his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention (ibid, IV.ii.9).

Smith additionally contends here that such behaviour only contributes to societal wellbeing when the wealth generated via such activities is kept within the country in which it is invested (Grampp 2000, p. 444). That this caveat and its attendant psychological processes are consistently overlooked in mainstream interpretations of the invisible hand is additionally surprising given that the latter mechanism is also a central feature of his discussion of the efficiency of commercial society in Book I of *WN*, where he observes: “man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only”. A more familiar exposition of this argument is evident in his succeeding claim that: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest” (Smith, 1976 [1776], I.ii.2). Whilst this sentence is frequently, and erroneously, cited as evidence of Smith’s advocacy of selfish behaviour (Clark, 1992, pp. 186-7), it instead demonstrates the central importance that he places upon the psychological processes through which individuals imaginatively reconstruct others’ interests and address these accordingly (Fleischacker, 1999, p. 170). Indeed, Smith employs his observation about the butcher, brewer, and baker to illustrate the central importance of this persuasive faculty, which he claims is the foundation of individuals’ natural disposition to “truck, barter and exchange one thing for another”; a trait which he identifies as the both the cause of the division of labour and the source of “the greater part of those mutual good offices which we stand in need of” (Smith, 1976 [1776], I.ii.1-3).

Smith further explains that this disposition and the “difference of talents” that it generates contributes towards material progress. As he contends here: “The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education” (ibid, I.ii.4-5). Smith again refers to these figures in *Lectures on Jurisprudence*, where he asserts that such processes also contribute towards scientific advances: “The porter is of use in carrying burthens for the philosopher, and in his turn he burns his coals cheaper by the philosopher’s invention of the fire machine”. As with the butcher, brewer, baker and their customers, therefore: “The philosopher and porter are both of advantage to each other” (Smith, 1978, *LJ [B]*, II.219-221). This process is consistent with Smith’s optimism regarding individuals’ potential to improve their moral capabilities via commercial interaction and introspection. Intellectual, material and moral advances are thus intimately connected to psychological effort and sympathetic sociability by Smith, through which he claims just and efficient exchange can be realised more readily. As he further contends in *WN*, the “uniform, constant, and uninterrupted effort of every man to better his condition” increases commercial activity and subsequently creates new social bonds with those outside of one’s immediate social circles (Smith 1976 [1776], I.ii.2-3; II.iii.31). As this process depends upon deeper imaginative reflection regarding others’ motives and interests, it thus incentivises the development of one’s abilities to persuade others and to sympathise with their interests while aiding the effective recognition and pursuit of one’s own.

This account is echoed in *TMS*, where Smith suggests that similar psychological efforts potentially facilitate greater awareness of one’s interests being “connected with the prosperity of society”. Notably, it is here that Smith defines his centrally important concept of sympathy as “fellow-feeling”, which he describes as a source of psychological pleasure akin to that

obtained from the contemplation of convincing philosophical schemas and of the “orderly and flourishing state” (Smith, 1976 [1790], I.i.1.5). These observations along with those regarding individuals’ aversion to psychological “disorder and confusion” (ibid, II.ii.3.6) and their recognition of commercial society’s interdependent nature are thus wholly consistent with his provisional characterisations of the development of intellectual, material and moral progress. Indeed, while Smith consistently emphasises the role of imaginative striving in personal and societal development, he does not do so in teleological terms. As Knud Haakonssen (2006, pp. 4-6) argues, Smith instead recognises that: “Because of the individuality and, not least, the uncertainty of human life, it is impossible to formulate a universal idea of the highest good or the good life”. A similarly persuasive claim is made by Richard Olson:

...since Smith’s doctrine...measures the value of philosophical systems solely in relation to their satisfaction of the human craving for order, it sets up a human rather than an absolute or natural standard for science, and it leaves all science essentially hypothetical... Smith implied that unceasing change rather than permanence must be the characteristic of philosophy.⁹

4. The provisional nature of knowledge

Smith’s account of the psychological basis and provisional nature of intellectual and moral criteria clearly demonstrates his distance from the “epistemologically absolute, methodologically deductive, ethically...and behaviourally individualistic” tenets of neoclassical economics that its exponents often ascribe to his work (Winrich 1984: 994; see Grampp 1948, p. 315; Montes 2004, pp. 150-2). According to Nicholas Vriend “the fundamental conception of rationality in the economics literature is the *‘pursuance of self-interest’*” (Vriend 1996, 264 [emphasis in original]). This axiom is commonly attributed to

Smith (e.g., Stigler 1976), yet should instead be traced to influential claims made by marginalist economists such as Francis Edgeworth (1881, p. 16), for whom: “The first principle of Economics is that every agent is actuated only by self-interest”. As Luigino Bruni and Robert Sugden (2007: 151-2) explain, Edgeworth views neoclassical economics’ law of the diminishing marginal utility of consumption as a variant of founding experimental psychologists’ hypothesis of diminished sensitivity and associationist philosopher Alexander Bain’s account of psychological hedonism (Edgeworth 1881, pp. 59-62; see Jevons 1866, p. 284). Notably, James points to Bain as an exponent of the “old-fashioned pleasure-philosophy” which assumes that behaviour is wholly influenced by “the secret solicitation of pleasure and repugnancy of pain” (James 1950b [1890], 550-1). James refers to this “curiously narrow teleological superstition” as “silliness” (ibid) as it ignores the often impulsive nature of behaviour (Lewin 1996: 1299). This contrasts with neoclassical and Austrian economists’ assumptions regarding economic actions as outcomes of conscious deliberation, which is also contradicted by recent research that confirms the salience of James’s focus upon the importance of instincts and habits in understanding individuals’ behaviour.¹⁰

As is well known, James’s emphasis upon habits and instincts is an apparent influence upon Thorstein Veblen’s institutionalist critique of neoclassical and Austrian economics, including his rejection of their practitioners’ assumptions regarding “passive and substantially inert and immutably given human nature”.¹¹ Veblen’s critique of marginal utility theory and his evolutionary account of scientific progress also provide notable points of connection between his contributions and those of Smith, including the latter figure’s identification of instincts as the origin of the formation of moral rules.¹² Veblen’s (1900, p. 241) ostensible rejection of methodological individualism and methodological collectivism also points to the potential influence of Smith and James. Yet while Veblen neglects to place exclusive emphasis upon

social determination (Hodgson 1998, p. 419; 426), as is perhaps evident in his rejection of hedonistic-associational psychologists' depictions of human nature "in inert terms", he is similarly critical of the "newer conception" of psychology which "formulates conduct in terms of personality" (Veblen 1900, pp. 247-8).

This indicates Veblen's reluctance to consider the question of human intentionality as a suitable subject of inquiry (Veblen 1900, pp. 248-9; Liagouras 2009, pp. 1052-3); an aversion that is evidently not shared by Smith and James. According to Veblen, socialisation processes govern the "settled habits of thought common to the generality of men" (Veblen 1909, p. 627; Hodgson 2007, p. 331). Consequently, one's environment "incubates the desires through which ideas of personhood cohere in the mind of the individual" (Watson 2012, p. 499). This is apparent in Veblen's claim that: "the usual basis of self-respect is the respect accorded by one's neighbours. Only individuals with an aberrant temperament can in the long run retain their self-esteem in the face of the disesteem of their fellows" (Veblen 1944 [1899], p. 20). By contrast, and as discussed, Smith and James retain consistent analytical space for individuals' resilient self-images via introspective processes that are both informed by and transcendent to their immediate environments. As Matthew Watson persuasively contends, Smith "defends the conception of an autonomous moral sphere by arguing that the instinctive desire to satisfy the self about one's praiseworthiness might always nullify pressures for social conformity arising from the economy" (Watson 2012, p. 508). Smith makes this defence via the impartial spectator (Smith 1976 [1790], VI.iii.25); James via the ideal social self, a comparable psychological mechanism which he claims enables individuals to withstand similar social pressures (James 1950a [1890], pp. 315). However, while James argues that "our self-feeling is within our power" (ibid, pp. 309-11), he - like Smith - does not dislocate this mechanism from individuals' social contexts or locate it exclusively at the level of habit or instinct (see

Smith 1976 [1790], III.4.7). Instead, as Lawlor (2006, p. 342) explains, in James's account: "Individual lives...are complex mixes of self-interest, different habits and roles, all the while defined and constrained by the rules of the institutions they represent, but not completely determined by them".

For James, as for Smith, one's self-feeling and notions of behavioural propriety are established without direct appeals to objective philosophical or religious criteria. While Smith's distance from the theocratic universalism of his peers denotes his emphasis upon self-determination, this does not represent doctrinaire advocacy of moral subjectivism or methodological individualism. As A. L. Macfie explains, while Smith employs the latter methodology, "there is an *implicit* social theory which ... directs and dominates all Smith's thought ... it is not offered or argued as a theory of society. It is rather reflected and inspired by the stream of his inductive thought about the nature of individual life in society" (Macfie 1953, pp. 218-9 [emphasis in original]). Indeed, Smith's thoroughgoing restraint from advocating a fixed moral end-point at which society should aim or through which behaviour ought to be evaluated is directly informed by his inductive methodology that reflects his commitment to the provisional nature of knowledge. This approach also facilitates Smith's appeals to different individual and cultural articulations of human experience throughout his works, a feature that is comparable with James's intersubjective and provisional account of the development of knowledge that is informed by his pragmatist method, which: "turns away from...bad *a priori* reasons, from fixed principles, closed systems, and pretended absolutes and origins" (James, 1987 [1907], pp. 508-10).

The central importance that James attributes to the role of psychological processes in the development of such systems is highlighted in *The Dilemma of Determinism (DD)*, where he

claims: “when we make theories about the world and discuss them with one another, we do so in order to attain a conception of things which shall give us subjective satisfaction” (James, 1992 [1884], p. 567). As Ronald Beanblossom (2000, p. 483) explains, it is this emphasis upon psychological satisfaction that enables James to justify an individual’s belief in objectivism on practical grounds whilst avoiding absolute subjectivism (e.g., James, 1987 [1907], p. 556). James rejects the latter approach owing its fostering of fatalism and “ethical indifference”, from which he suggests there is “absolutely no possible *theoretic* escape” (James 1992 [1884], pp. 585; 587 [emphasis in original]). Whilst, as noted, he does not deny that absolute truth can be attained, James does reject claims that “we can *know when* we have attained knowing it”. Indeed, he further contends that: “There is but one indefectibly perfect truth...that the present phenomenon of consciousness exists”. Beyond this “bare starting-point of knowledge”, however: “No concrete test of what is really true has ever been agreed upon...one’s conviction that the evidence one goes by is of the real objective brand, is only one more subjective opinion added to the lot” (James 1992 [1896], pp. 465-7 [emphasis in original]).

As is widely known, James rejects attempts to attribute consciousness to the soul in *PP*. By contrast, he argues: “as *psychologists*, we need not be metaphysical at all...the passing Thought itself is the only verifiable thinker, and its empirical connection with the brain-process is the ultimate known law”. This is echoed in his criticisms of the common sense theory of “the Scotch school” that includes Francis Wayland, whom James notes “begins his *Elements of Intellectual Philosophy* with the phrase ‘Of the essence of Mind we know nothing’” (James, 1950a [1890], pp. 346-7 [emphasis in original]; Madden, 1962, p. 348). As Donald Frey explains, Wayland attempts to render Protestant morality compatible with *laissez-faire* economics, interpreting Smith’s invisible hand metaphor as the divine hand of God (Frey 2002, p. 229). Yet this is a misinterpretation on two counts: Smith is neither an advocate of *laissez-*

faire or of revealed religion, despite influential claims to the contrary made by scholars such as Jacob Viner (1927, p. 205), who argues that the invisible hand provides evidence that “Smith definitely commits himself to the theism of his time”.¹³ Yet, as noted, Smith does not employ the metaphor to advocate market fundamentalism and does not concur with his immediate peers’ religious views. Instead, and in a manner that is consistent with his secular account of the development of philosophical systems in *HA* (Kennedy, 2013, p. 469), the invisible hand metaphor is invoked to demonstrate the psychological propensities that inadvertently contribute towards societal progress, as previously discussed.

Notably, when Smith invokes the metaphor in *TMS*, he observes that the same “love of art and contrivance” that motivates the rich landowners’ inadvertent contributions to societal progress also promotes the popular desire for orderly government institutions (Smith 1976 [1790], IV.i.11). Smith also suggests here and in *WN* that the study of these institutions promotes public spirit and stability, as an educated population is “less liable...to the delusions of enthusiasm and superstition... [and] more disposed to examine, and more capable of seeing through, the interested complaints of faction and sedition”. This is in direct contrast to the political instability that he claims results from instruction provided by “contending religious sects”. Smith’s advocacy of secular education, including in “science and philosophy” - which he portrays as “the great antidote to the poison of enthusiasm and superstition” - is thus in direct contrast to the views of a number of his immediate peers, who sought to rectify the perceived morally debilitating effects of commercial society upon its supposedly inferior ranks through educational schemes informed by allegedly objective standards of virtue derived from revelation.¹⁴

Such schemes are clearly at variance with Smith's and James's accounts of individuals' self-directed reflections upon the viewpoint of their imagined ideal spectator in the absence of appeals to objective standards of propriety. As Haakonssen (2006, pp. 12-4) explains, Smith's: "concern is to explain how people make moral assessments of the merit of their own and other people's motives and behaviour, and he suggests that this happens by an implicit invocation of their notion of ideal propriety". This is because, for Smith: "as moral agents, we are acts of creative imagination". As James similarly contends in *Pragmatism*: "In our cognitive as well as in our active life we are creative. We *add*, both to the subject, and to the predicate part of reality. The world stands really malleable...Man *engenders* truths upon it" (James, 1987 [1907], p. 599 [emphases in original]). Consequently, as James (1992 [1891], p.595) states in *The Moral Philosopher and the Moral Life*: "there can be no final truth in ethics any more than in physics, until the last man has had his experience and his say".

5. Concluding remarks

As Erik Angner and George Loewenstein (2012, pp. 644-5) point out, James's definition of psychology as being concerned with "feelings, desires, cognitions, reasonings, and the like" (James, 1950a [1890], p.1) clearly illustrates its dissimilarity to neoclassical economics' axiomatic assumption regarding the optimal availability and processing of information by self-interested, utility maximising agents (Gilad et al. 1984, p.5). Evaluation of the thoroughgoing emphasis that James and Smith place upon the role of psychological satisfaction in the development of intellectual, material and moral progress, as well as its provisional and interconnected nature, also demonstrates their distance from such a claim. As I have sought to argue, James's suspicion towards reductionist and universalistic assumptions invites direct comparison with Smith's nuanced discussion of human psychology, which is routinely downplayed in mainstream accounts of his contribution to economics (Davis 2003). This is

additionally significant given Angner and Loewenstein's (2012, p. 676) identification of behavioural economics as one of the likely routes through which a disciplinary shift away from its longstanding neoclassical convictions is to occur. However, as Esther-Mirjam Sent (2004, p.749) explains, neoclassical economics' axiomatic assumption regarding individual economic rationality retains a centrally important place within behavioural economics.¹⁵ As this axiom reflects and to some extent depends upon a disciplinary separation of economics and psychology that Smith and James had no part in (Lewin 1996), any efforts to interrogate the relationships between these disciplines and to reintegrate them would benefit from interpreting their founding contributions via holistic, non-disciplinary and comparative lenses.

As I have argued, the emphasis which James places upon the psychological basis and provisional nature of philosophical knowledge is directly comparable to Smith's articulation of the central role of imaginative striving in its development alongside moral and material progress. As I have also discussed, Smith introduces his two most widely-invoked metaphors - the invisible hand and the impartial spectator - to explain that such progress depends upon a series of expedient psychological processes. In so doing he firmly rejects interventions based upon claims to objective accounts of truth and morality while illustrating the central role of these processes in propelling "the immense machine" of society. As Smith explains, such a machine produces numerous societal benefits when it is allowed to operate in an orderly manner. This, he argues, is ensured by good governance, education and virtuous behaviour, which is adjudged as such in relation to the pleasurable psychological feelings that are produced by its facilitation of this "smooth and easy" maintenance that in turn provides further societal stability, prosperity, and opportunities for moral improvement (Smith, 1976 [1790], VII.iii.1.2; IV.1.9-11; IV.2.1). The significance of such feelings are consistently emphasised throughout Smith's work (e.g., Smith, 1983, II. 134), beginning with his explanation in *HA* of

the shift from polytheism to philosophy in terms of individuals' desire to avoid psychological discomfort. Smith additionally contends here that efforts to obtain this reassurance are often informed by scholars' engagement in a particular field of inquiry: "who therefore explained to themselves the phaenomena, in that which was strange to them, by those in which that which was familiar; and with whom, upon that account, the analogy...became the great hinge upon which every thing turned" (Smith, 1980, *HA*, II.12; IV.50). James is similarly critical of excessive usage of analogy in order to support claims to objective truth, which, he contends, "is nowhere to be found" (James, 1911, p. 37). This relates directly to the consistent emphasis that is placed upon the role of psychological reassurance in the development of philosophical knowledge, including in *A Pluralistic Universe*, where he argues: "All philosophers... have conceived of the whole world after the analogy of some particular feature of it which has captivated their attention", and who thus "*carve out* order by leaving the disorderly parts out" (James, 1987 [1909], pp. 633-9 [emphasis in original]). This is echoed in *WB*, where James (1992 [1896], pp. 567-8) states:

I myself believe that all the magnificent achievements of mathematical and physical science...proceed from our indomitable desire to cast the world into a more rational shape in our minds than the shape into which it is thrown there by the crude order of our experience... All our scientific and philosophic ideals are altars to unknown gods.

James's account of the psychological basis and provisional basis of intellectual criteria is thus directly comparable to Smith's explanation of scientific, material and moral progress. In a manner that is strikingly reminiscent of Smith's impartial spectator metaphor, James argues in *PP* that moral progress can be achieved through introspective reflection upon one's "ideal judge", an imagined figure who, unlike "interest[ed] and prejudice[d]" onlookers, "can read

my qualities...for what they truly are”. James additionally claims here that: “it is probable that individuals differ a good deal in the degree in which they are haunted by this sense of an ideal spectator” (James, 1950a [1890], pp. 312-6 [emphasis in original]). Importantly, Smith also conceives of varied imaginative capabilities among individuals, which he suggests can be improved through habitual efforts to gain the sympathy of their impartial spectator alongside that of their peers; a psychological process that is consistent with his explanation of the ways in which commercial interaction enables individuals to develop levels of proficiency in persuasion and empathy that assist “fair and deliberate exchange”. As is also consistent with his remarks concerning the material prosperity that attends our successfully interpreting the motives and interests of the “butcher, the brewer, [and]...the baker”, Smith thus invokes the impartial spectator to countenance individuals’ moral progress through the development of their imaginative abilities regarding evaluation of the propriety of actions as well as the “praise or blame” that may be attached to their motivations without recourse to an objective external standard.¹⁶

Relatedly, Smith is clear that perfect sympathy or complete acquiescence between individuals are not realistic aims or are indeed necessary to maintain “the harmony of society”, which can instead be provided by individuals’ genuine attempts to sympathise with others (Smith, 1976 [1790], I.1.36). This reflects the influence of Roman stoic accounts of practical morality upon Smith’s moral philosophy, which informs his recognition that individuals’ attempts to lead morally just lives can be influenced by factors such as conceit and the desire for luxury and gratification (ibid, VII.ii.4.11). Consequently, according to Smith, individuals can be considered to act in a virtuous manner when they are in harmony with societal standards of moral propriety to the extent to which they are currently capable (ibid, I.i.5.5; VII.i.42). As discussed, this is in direct contrast to his contemporaries’ appeals to fixed moral standards to

which individuals ought to be directed towards and judged against (e.g., Reid 2010 [1788]). As Samuel Fleischacker (2004, pp. 52-3) explains: “the fact that Smith brings proper moral judgment so close to what, in ordinary social life, people actually judge to be right and wrong means we should not expect him to launch external or transcendental critiques of his society’s practices”. Smith additionally refrains from engaging in critiques of other societies based upon comparisons with such practices or invocations of universal moral standards (Haakonssen, 2006, p. 9). His aversion to cultural universalism is reiterated in the final Part of *TMS*, where Smith rejects casuists’ attempts to “lay down many precise rules that are to hold good unexceptionably in all particular cases” in favour of the methods of “ancient moralists” who “only endeavoured to ascertain, first, wherein consists the sentiment of the heart, upon which each particular virtue is founded...and, secondly, what is the general way of acting, the ordinary tone or conduct to which each of those sentiments would direct us...upon ordinary occasions” (Smith, 1976 [1790], VII.iv.7; 3). Smith’s definition of the ‘ethical’ philosopher is therefore directly comparable to James’s depiction of a “true philosopher”, who is “not the champion of one particular ideal” but who instead:

...must see that there is nothing final in any actually given equilibrium of human ideals, but that, as our present laws and customs have fought and conquered other past ones, so they will in their turn be overthrown by any newly discovered order which will hush up the complaints that they still give rise to, without producing others louder still (James, 1992 [1896], p. 611; see Teichgraeber 1981, pp. 118-9).

As I have demonstrated in this paper, Smith’s and James’s explanations of the psychological basis of intellectual, material and moral progress and its provisional character reflect a number of important connections between their work. That these connections are often overlooked is

surprising given their status as the founders of modern economics and psychology and the ongoing interest that their contributions continue to stimulate across the academy, including among behavioural economists and neuroeconomists. Unlike the majority of economists who refer to Smith via *WN* (Wight 2002; Glaze 2015) these scholars tend to draw inspiration from *TMS* and James's *PP* (e.g., Ashraf, Camerer and Loewenstein, 2005; Monterosso and Ainslie, 2007; Zak, 2011a; 2011b). As I have shown, evaluating Smith's and James's work in a more thoroughly holistic manner not only reveals consistent points of connection between their insights but also demonstrates the distance between these and reductive explanations of economic behaviour provided by neoclassical economics, at times via reference to similarly reductive accounts of Smith's work. Efforts to move beyond such explanations and to reconnect economics and psychology would therefore benefit greatly from looking again at their founders' contributions in this manner; a process that this discussion has attempted to go some way towards encouraging.

Notes

¹ See Barbalet 2008; Lawlor 2006.

² Definitions of neoclassical economics are at times controversial. See Aspromourgos 1986; Colander 2000; Lawson 2013; Morgan 2016; Morgan 2015.

³ Smith, 1983, ii.133-4; Smith, 1976 (1790), VII.ii.4.14; see also Twomey 1998, pp. 437-8.

⁴ James, 1902, pp.444-5 cited in Gramsci, 1971, p. 373, footnote 68.

⁵ The dedication reads: "To My Old Friend, Charles Sanders Peirce, To whose philosophic comradeship in old times and to whose writings in more recent years I owe more incitement and help than I can express or repay" (James, 1992 [1896], p. 446). See also Lawlor, 2006, pp. 325-7.

⁶ Peirce, C. S., 1905. 'Issues of Pragmaticism'. *The Monist*, 15 (4), 481-499 cited in Lane, 2007, p. 552. See also Lawlor, 2006, p. 325.

⁷ C. Hartshorne and P. Weiss (eds.), *Collected Papers of Charles Sanders Peirce*, Cambridge, MA: Harvard University Press, 1958, vol. VI, p.485 cited in Scheffler, 1974, p. 113.

⁸ James, W., 1978 (1876) *Essays in Philosophy*, p. 4, edited by Burkhardt, F., Bowers, F. and Skrupskelis, I. K., Cambridge, MA: Harvard University Press, cited in Leary, 1992, p. 158.

⁹ Olson, R. S., (1975) *Scottish Philosophy and British Physics, 1750-1880*, Princeton, NJ: Princeton University Press, p. 123 cited Smith, 1980, p.12.

¹⁰ Hodgson 2007, p. 332; Twomey 1998, pp. 436-7. While marginalist assumptions regarding hedonism have lost influence upon contemporary economists' interpretations of individuals' behaviour, their assumptions concerning utility maximising individuals have been retained (Lewin 1996, p.1318).

- ¹¹ Veblen 1998 (1898), p. 411; Veblen 1900, p. 242; Hodgson 1998, p. 425; Lewin 1996, p. 1302; Liagouras 2009, p. 1050; Twomey 1998, p. 440.
- ¹² See Smith 1976 (1790), III.4.7-8; Smith 1976 (1776), I.iv.13; Veblen 1909; Veblen 1900; White 2002; Wight 2009.
- ¹³ See Smith, 1976 (1790), III.3.9; Morrow, 1928, p. 165.
- ¹⁴ Smith, 1976 (1776), V.i.f.61-V.i.g.14. See Davis, 2003; Haakonssen, 1996; Hill, 1997; Lehmann, 1971.
- ¹⁵ Sent 2004, p.749. See Hargreaves Heap 2013; Kahneman 2003; Lawson 2013.
- ¹⁶ Smith 1976 (1776), I.ii.2; Smith, 1976 (1790), III.3.25; III.4.9; Broadie, 2006, p.182; Griswold, 1999, pp. 141-2; Ross, 1995, p. 164.

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